

The case of land reforms in south africa economics essay



A large share of the world's poor resides in developing countries, with a highly concentrated rural sector where people rely on agriculture to survive. In rural areas land is considered as an important asset and also a vital input in the agrarian economy. The incidence of inequality in these developing countries is very high and one important reason for this inequality is a highly unequal distribution of land in the rural sector of these developing economies. This leads to inefficiencies in the labor and land markets in the rural sector, and those farmers who don't have any land end up having tenancy contracts. As (Ray, 1998) concludes that we can realize better productivity if the farms are relatively small in size and they are held privately by each household. This means that the issue of property rights is the center of discussion of land reforms in any country. Those who are in favor of the land reforms state that without the redistribution of land we cannot decrease inequality in a society.

The ownership of land is an important factor in determining the investment activities on agricultural land. If a farmer does not have ownership rights over the land which he works on, he will not make huge and long-run investments in the land as he may face threats of eviction, leading to a decline in productivity. Thus, to fully capture the gains from agriculture and increase productivity we need to redistribute the land, transferring it from the rich to the poor in such a manner that the beneficiaries will not have to pay the full compensation; rather government should pay part of the compensation, which can be achieved with the help of foreign donors. Only this type of policy changes can lead us to a successful land reform.

If we look at the case of South African land reforms first we have to look at the historical distribution of land in the country. The implementation of the 1913 Land Act initially resulted in confining the Black Africans only to the reserves which amounts to only 10% of the total land in the country. This means that Black Africans were not allowed to make any new farming operations, sharecropping or cash rentals outside of the reserves, thus depriving large chunk of population of any land, and almost 90% of the land was concentrated in very few hands, which also points towards the highly biased society reflecting a major flaw in the institutional structure of South Africa.

As pointed out by (Kariuki & Walt, 2000) in early 1990s, under the apartheid government 102 million hectares of arable land were owned by an estimated 55, 000 mainly white capitalist farmers while only 17 million hectares land was shared amongst the 1. 2 million micro farmers in the former reserves also known as $\frac{1}{2}$ homelands $\frac{1}{2}$. Furthermore, farm labor was highly flexible and insecure, including 300, 000 casuals and seasonal paid workers in other than numerous labor tenants and undocumented workers. Average wages in 1995 were around R457 per month, with half of agricultural workers earning R400 or less. The highest wages in the sector were barely over R1, 000 a month. As the apartheid government ended in 1994 with the electoral victory of ANC marked the start of the new era where 86% of the land was owned by white farmers and almost 70% of the rural population earned less than R300 (approximately US\$100) a month per household. This shows the extent of inequality that persisted at that time in the South African society, accompanied by weak property rights for the Black Africans. The average

amount of land held per person was 1.3 hectares by Black Africans compared to 1,570 hectares by whites, which shows the extent of inequality in the society. Furthermore, the new government also had to face other challenges like the lack of local government structure, lack of administrative capacity and a highly indebted large farm sector. All of the above mentioned problems reflect the weaknesses of institution in South Africa.

Under these circumstances the government decided to adopt a land redistribution policy that will decrease inequality in land distribution, increase the growth in the economy and help alleviate the poverty. The newly elected government adapted the land reform program advised by the World Bank, which is based on the fair price and “willing buyer, willing seller” model and focuses on three main areas restitution, land tenure reform and land redistribution. Under this program 30% of the land has to be distributed to the Black South Africans by 2014. Under restitution those who had been the victims of the 1913 land Act were compensated through the legal processes. All restitution cases are handled by the Land Claims Court and Commission, established in 1994 and the claims have to be submitted within 3 years (i. e. by the end of 1997). But this is not a feasible option for most of the affected individuals as most of them were not been able to produce written evidence. Whereas, the land tenure reform component of the program tries to improve the conditions in the land market in the agriculture sector, by giving the individuals the right to choose their own tenure system, reforming tenancy laws and ending the discrimination against women. This also tries to create an administrative infrastructure which will facilitate the disadvantaged groups and provide regulatory

environment in order to decrease inefficiencies created by the apartheid system in the market for rental land such that land is allocated to the most productive user. The last part of the program focuses on the redistribution of land to the rural Black Africans, for productive and residential purposes. This was planned to be achieved by giving an one time Land Acquisition Grant of R15, 000 (US\$3, 300) to the ones who earn a monthly salary below R1, 500 also known as SLAG (Settlement and Land Acquisition Grand). Thus, this program was designed to help black disadvantaged population in order for them to acquire land or for other forms of on-farm participation.

Although the goals of the new government were ambitious but the results were not much encouraging. By March 2004 the Department of Land Affairs had redistributed a total of 810, 292 hectares of land to claimants. 48, 825 restitution claims involving 122, 292 households were settled between 1995 and March 2004, with 662, 307 people benefiting from the program . As pointed out by (Pasensie, 2010) at the end of 2009 only 6. 7% of the agricultural land was distributed which is approximately 5. 67 million hectares has been transferred to 1. 78 million beneficiaries. Government has also admitted that over 90% of the transferred land has not been farmed productively. Moreover, more than 40% of the beneficiaries received monetary compensation instead of ownership rights to a piece of land. While providing monetary compensation is one way to address the problem but it cannot be deemed as a land reform because it does not involve the transfer of land rights. Also, most of the cases that have been settled belong to the ownership of land in the urban areas which means that this program has so far done little redistribute land in the rural areas, with most rural restitution

claims still outstanding. This suggests that the redistribution process is quite slow, and government will not be able to achieve the required target by 2015, and the land reform program has failed.

As (Kariuki & Walt, 2000) points out that the pace at which the Land Claims Court settles the claim is very slow. Out of 64, 000 claims only less than 800 claims were settled till 1999 and mostly were in urban areas. The situation in the labor market in the agriculture also got worse as evictions continued at a rapid pace, and overall employment in the agricultural sector fell by 10 percent between 1989 and 1999.

The failure of the land reform program can be attributed to many factors. One main reason of the failure is the unsuccessful adaption of the World Bank's market-driven 'willing-buyer-willing-seller' approach which had failed to deliver real land reform across Africa. The land market was unable to effectively redistribute the land from rich to poor and change the patterns of ownership. This is because it mainly ignores the underlying inequality which has created this situation in the first place due to unjust policies in the past. Also, this model has led to an increase in the prices of the land by white farmers, further aggravating the problems of the government. Secondly, limitations on state expenditure with the limited grants, ensures that there would never be sufficient funds to buy back 30% of the land. This also encouraged people to form groups and pool their funds in order to purchase the farmlands collectively. As (Kariuki & Walt, 2000) points out that in several cases in Mpumalanga, this kind of behavior resulted in the invention of tribal groups under authoritarian chiefs who collect rent from other members of the group. In some other cases community members were

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under the impression that land is owned by the chief. Thus, the land reform policy has introduced the danger of tribalization and ethnic divisions, so instead of benefiting the poor it has failed to address the inequality issues and also in some situations has created a new exploiting class.

As suggested by (Anseeuw & Mathebula, 2008), there are five main reasons for the failure of the land reform program, which are ½(1) unfeasibility of land reform projects; (2) un-adapted institutional structures; (3) lack of collective action and institutional isolation; (4) administrative heaviness, incapacity and lack of transparency; and (5) insufficient and un-adapted (technical) support services½. According to the survey conducted by (Anseeuw & Mathebula, 2008) under restitution and redistribution program very little land was available per household and most of the projects were not economically feasible as because most of the projects resulted in a small disposable income. Also most of the projects lack basic infrastructure.

Furthermore, the administrative process was very time-consuming, difficult and costly for the beneficiaries pointing out towards high transaction cost arising from inefficiencies in the institutional framework. Also the time it takes to acquire the land is very long for example the average time lapse for a restitution/redistribution claim to be settled in Mole-mole is 7. 8 years pointing out towards friction in the legal system. Transparency of the local administration and government was in doubt, as most of the activities were implemented without consulting the beneficiaries. Also those involved in implementing certain projects and programs are also the one who were monitoring them which seriously jeopardize the whole process. Lastly, in majority of the cases there was lack of administrative and technical support

staff, creating problems for the beneficiaries. Also lack of knowledge of the technical staff adds to the problems of beneficiaries. All of the problems mentioned above points out towards the fact that the main reasons for the failure of land reforms policies adapted by the South African government were weak institutional frame work that was in place and lack of outside monitoring.

All of the above discussion leads us to recommend some policy changes that might help facilitate the progress in land reforms. Firstly, rather than acting on the “willing buyer, willing seller” model we have to look for the alternative ways. For example, one way of effectively redistributing the land from rich to poor is enforcing restrictions on the amount of land one can hold and then imposing the price ceiling on the price of the lands. A second strategy might be that government can purchase land from the rich compensating them by giving them long-term government bonds, then redistribute the acquired land charging the beneficiaries part of their produce for a certain period of time. These types of strategies help meet the goals in the prescribed time and are most of the time effective even though government is short on funds. Secondly, in the case of South Africa, a strong external monitoring system must be in place that can ensure transparent working of the local government and administration. Lastly, in order to achieve egalitarian society, policies must be made such that they will also benefit the poor rural women. These might include giving them access to land and providing them good working conditions.

Summing up the discussion, we can see that given the historical distribution of the land in South Africa, land reform was necessary as this would help <https://assignbuster.com/the-case-of-land-reforms-in-south-africa-economics-essay/>

alleviate poverty in the region, reduce inequality and increase the welfare of the people. After coming into power ANC set out on a very difficult task of redistributing 30% of the land to Black Africans, owned by whites. To perform this job newly elected government adapted the World Bank's "willing buyer, willing seller" model constituting of three main parts namely restitution, land tenure reform and land redistribution. But these land reforms fell short of the expectations and were deemed as a failure. At the end of 2009 only 6.7% of the agricultural land was redistributed which is approximately 5.67 million hectares and has been transferred to 1.78 million beneficiaries. Furthermore, over 90% of the transferred land has not been farmed productively. There are several reasons for this failure, which includes limited government budget, inefficient land market, weak institutional framework and no external monitoring system that could ensure transparency in the redistribution process. Thus, we need to focus on some of the above mentioned problems in order to make this land reform more effective and get better results.